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MICC
INVESTMENTS
LIMITED

BOX 14, 401 BAY STREET, TORONTO, ONTARIO M5H 2Y4

MICC
INVESTMENTS
LIMITED

For the six months
ended June 30, 1976

TO THE SHAREHOLDERS

The Company achieved satisfactory operating results for the six month period ending June 30, 1976. Its subsidiary, The Mortgage Insurance Company of Canada, issued commitments for \$1,187,876,000, slightly more than the commitment level of \$1,173,508,000 achieved for the comparable period in 1975. Net premiums on new business written amounted to \$8,695,592, which was slightly below the figure of \$9,125,834 attained in 1975.

Underwriting revenue rose to \$5,344,044 from \$4,459,880 for the comparable 1975 period. Investment income increased by 37% to \$5,449,067 compared to \$3,990,391 in 1975. Total revenue amounted to \$10,793,111.

Losses from claims increased to \$1,395,808 compared to \$859,971 in 1975. Losses were comprised of \$1,155,725 from Canadian mortgage insurance operations, \$16,418 from lease guarantee insurance and \$223,665 on U.S. re-insurance. Losses are still running at a substantial level, but are in line with our expectations for this year. The default ratio for high ratio house loans continues the downward trend begun in the first quarter, and at the end of May, had fallen to 0.45% from 0.56% at the end of March. For income properties, the default ratio was 0.68% compared to 0.60% at the end of the first quarter.

Consolidated net earnings of MICC Investments Limited for the half year were \$5,541,998 before gain on disposal of investments. This represents an increase of 29% compared to earnings of \$4,281,566 for the first six months of 1975. After the deduction of preferred dividend, earnings per common share, before gain on disposal of investments, were 88¢ compared to 75¢ in 1975.

On June 15th, 1976 the first quarterly dividend was paid on the 10% cumulative preferred shares of the Company and on June 30th, a dividend of 6¢ per share was paid on the common shares.

On April 30th the Company acquired the 50% interest of its joint venture partner, Hedonics Incorporated, in Charlotte Properties Limited. Charlotte owns the "Shawano" project, a recreational land development in Hastings County, Ontario. The Company has decided against further active development in the recreation land area and it is expected that the remaining land and other assets of Charlotte will be disposed of within the next 12-18 months, realizing the Company's investment in this project.

In April, the Anti-Inflation guidelines were extended to cover general insurance companies, including the Company's subsidiary, The Mortgage Insurance Company of Canada. As the term and nature of the mortgage insurance contract is unique, discussions have taken place with Anti-Inflation Board officials with a view to having some alternative form of controls apply. We are hopeful that an appropriate arrangement will be worked out.

The real estate market continued at the far from buoyant pace which characterized the first quarter's activity. High interest rates, high prices, continuing high unemployment and a still somewhat cloudy near future for the economy, seem to be major concerns keeping many potential buyers out of the market. At the same time, housing starts have remained at a surprisingly high rate during the second quarter at an annual rate of 268,300 units, seasonally adjusted, compared to 280,500 units for the first quarter. It is not expected that this rate will be achieved during the second half of the year. Supply of mortgage funds remains ample with a slight easing of interest rates over the past 4-6 weeks. Current rates are in the $11\frac{1}{2}\%$ - $12\frac{1}{4}\%$ range.

Under today's conditions, we are pleased with results to date this year and look for a continuing satisfactory performance during the second half of 1976.

R. T. RYAN
President

August 5, 1976

MICC INVESTMENTS LIMITED

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the six months ended June 30, 1976
(With comparative figures for the six months ended June 30, 1975)

	1976	1975
SOURCE OF FUNDS		
Operations -		
Net earnings for the period	\$ 6,152,375	\$ 4,242,170
Increase in Net Deferred Revenue	3,676,080	5,460,630
Income taxes deferred	802,737	544,213
Depreciation and Amortization . . .	27,580	22,416
Funds generated from operations	10,658,772	10,269,429
Preferred shares issued (net of expenses)	19,279,738	—
Decrease in cash and accounts receivable	625,788	—
Decrease in loan to trustees under employee stock purchase plan	15,690	39,885
	30,579,988	10,309,314
USE OF FUNDS		
Decrease in accounts payable	3,798,606	27,341
Increase in cash and accounts receivable	—	1,717,717
Purchases of fixed assets	39,165	10,778
Dividend - Preferred	500,000	—
Dividend - Common	685,330	685,330
Retirement of Preferred Shares	12,598	—
	5,035,699	2,441,166
Funds available for investment	25,544,289	7,868,148
Investment Funds - beginning of period . . .	120,608,275	87,003,033
	146,152,564	94,871,181
Unrealized gain on stocks for period	1,794,299	1,992,523
Investment Funds - end of period	\$147,946,863	\$ 96,863,704

MICC INVESTMENTS LIMITED

AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET

	June 30	
	1976	1975
ASSETS		
Cash and Accounts Receivable.....	\$ 3,251,423	\$ 3,054,849
Investments.....	147,946,863	96,863,704
Other Assets.....	1,194,195	445,068
	\$152,392,481	\$100,363,621
LIABILITIES		
Accounts Payable.....	\$ 2,851,217	\$ 1,218,679
Deferred Revenue.....	57,200,358	48,121,855
Deferred Income Taxes.....	3,682,662	2,298,296
Income Debentures.....	10,000,000	—
	\$ 73,734,237	\$ 51,638,830
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized –		
4,000,000 (1975 – Nil) Preferred		
Shares of the par value of \$25 each		
10,000,000 (1975 – 10,000,000)		
common shares without par value		
Issued and fully paid –		
799,500 (1975 – Nil) 10% Cumula-		
tive Preferred Shares, Series A...	\$ 19,987,500	\$ —
5,711,080 (1975 – 5,711,080)		
common shares.....	37,430,189	37,430,189
Retained Earnings.....	23,227,416	15,086,330
	80,645,105	52,516,519
Unrealized Loss on Stocks.....	1,986,861	3,791,728
	\$ 78,658,244	\$ 48,724,791
	\$152,392,481	\$100,363,621

CONSOLIDATED STATEMENT OF EARNINGS

For the six months ended June 30, 1976

(With comparative figures for the six months ended June 30, 1975)

	1976	1975
REVENUE		
Net Premiums written.....	\$ 8,695,592	\$ 9,125,834
Application fees.....	685,054	754,450
Commission income and service fees...	13,217	15,873
	9,393,863	9,896,157
Less: Increase in Deferred Revenue	4,049,819	5,436,277
Underwriting Revenue.....	5,344,044	4,459,880
Investment income		
Interest and Amortization.....	1,977,617	1,678,822
Dividends.....	3,471,450	2,311,569
	5,449,067	3,990,391
Total revenue	10,793,111	8,450,271
EXPENSES		
Insurance underwriting and policy issuance expenses.....	1,066,657	830,517
Premium taxes.....	182,122	184,374
	1,248,779	1,014,891
Less: Increase in Deferred Expenses	373,739	115,174
	875,040	899,717
Losses on claims incurred.....	1,395,808	859,971
Other operating expenses.....	707,806	447,098
Income debenture interest and expense amortization.....	419,122	—
	3,397,776	2,206,786
Earnings before Income Taxes.....	7,395,335	6,243,485
Provisions for Income Taxes		
Current.....	1,050,600	1,417,706
Deferred.....	802,737	544,213
	1,853,337	1,961,919
Earnings before Realized Investment Gain or Loss.....	5,541,998	4,281,566
Realized Gain (Loss) on Disposal of Invest- ments.....	610,377	(39,396)
Net earnings for the Period.....	\$ 6,152,375	\$ 4,242,170
Earnings per Common Share (after deduction of preferred dividend)		
Earnings before Realized Investment		
Gain or Loss.....	88¢	75¢
Net Earnings for period.....	99¢	74¢

NOTE: These figures are unaudited.

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